

Narrowing Development Gaps



ASEAN at 50: Retrospectives and Perspectives on the Making, Substance, Significance, and Future of ASEAN

Partners: Members of ERIA Research Institutes Network (RIN), ASEAN Leaders, ASEAN friends, and others

The research project is a joint undertaking of the Philippine government and ERIA as part of the commemorative events to celebrate ASEAN's 50th

anniversary in 2017, under the Philippine chairmanship of ASEAN. The project produced a five-volume commemorative publication that brings together the retrospectives and perspectives of key people involved in the making and working of ASEAN; voices from the ASEAN people (as captured in an ASEAN-wide survey); and the analytical insights, perspectives, and reflections of eminent persons and experts on the evolution, substance, and future of ASEAN.

Volume 1 features the voices of selected leaders and officials from the AMS on the retrospectives and reflections on ASEAN in the past 50 years and in the future. The essays were complemented with several integrative chapters elaborating on the evolution of ASEAN in the economic, political–security, and socio-cultural arenas; an essay on the importance of the donor community in ASEAN development; and an essay on ASEAN leaders and leadership.

Volume 2 reveals the results of the ERIA and RIN survey on what ASEAN means to ASEAN peoples, especially their aspirations and expectations on ASEAN into 2025.

Volume 3 focuses on the interface of the reform policies of the ASEAN Economic Community (AEC) and of the AMS, the progress of ASEAN economic integration, and the impact of and challenges to the AMS of ASEAN economic integration initiatives.

Volume 4 presents the reflective essays and papers of numerous experts and analysts on the significance and future of ASEAN in the political–security and the socio-cultural arenas.

Volume 5 comprises reflective essays and papers of many experts and analysts on the significance and future of the AEC.

Geographic Scope: ASEAN

Policy Report on Local Currency Bond Markets in Asian Emerging Markets

Partners: Centre for European Policy Studies (CEPS), Research Institute of the Central Bank of China (PBoC), Observer Research Foundation (ORF)

One way for governments of most emerging Asian economies to occupy the market is by issuing bonds to plug budget deficits and help finance infrastructure development. Setting aside the development of financial markets has been proven costly since the current system of financing cannot fund infrastructure projects. The financial markets in Asia are still thin and have many opportunities to further expand. This joint research focuses on the Local Currency (LCY) bond market in the three biggest emerging markets in Asia: China, India, and Indonesia.

Issuing LCY bonds is advantageous for emerging countries because the risks of currency mismatch for issuers are avoided, and it is less vulnerable to global financial market fluctuations. Analysis of the LCY bond market in selected countries will provide lessons from their experience. The policy insights will be useful inputs and suggestions for the authorities in the finance sector of Asian emerging markets to further develop their capital market and support infrastructure financing.

The development of a healthy and progressive bond market requires a convergence of both monetary and fiscal policies, a set of prerequisite building blocks, and improved regulatory capacity. Moreover, one key factor in developing a healthy bond market is the broadening of the investor base, such as foreign-based investors, retail investors, and institutional investors. Foreign-based investors will be interested in purchasing LCY bonds if they believe the country's economy is strong. Retail investors can become potential buyers as they consider the country's economic growth rate and population size. Institutional investors, especially of pension funds and insurance, may invest in infrastructure projects through financial markets if investment schemes are attractive and investment is facilitated. In addition, economies should provide fiscal incentives for more long-term investments, which will affect the financial markets.

The results of this study would have policy implications on issuers and investor base of all three of the biggest emerging Asian economies, and market infrastructure (of India and Indonesia), and regulatory and supervisory fragmentation (of China).

Geographic Scope: China, India, Indonesia